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ABSTRACT

The General Accounting Office (GAO) examined progress in meeting work-focused goals of the Temporary Assistance for Needy Families (TANF) program. The following issues were considered: (1) states' progress in implementing TANF; (2) the status of families who have left welfare; (3) the characteristics of adults currently receiving TANF; (4) states' strategies for helping hard-to-employ recipients find jobs; and (5) emerging issues as welfare reform evolves. The analysis established that, as states implemented welfare reform amid strong economic growth, welfare caseloads dropped by 50%. Although most adults in former welfare families were employed at some time after leaving welfare, they were often working at low-wage jobs. States were attempting to help hard-to-employ recipients find jobs through strategies such as improving and expanding case management and providing services targeted toward preparing hard-to-employ individuals for work. Most TANF recipients were not engaged in work activities in part because many have characteristics that make it difficult for them to get and keep jobs. The six states visited by GAO staff have modified their "work first" programs to better serve hard-to-employ clients. It was recommended that states emphasize and enhance their work-based welfare-to-work strategies and foster and facilitate improved management and service delivery approaches. (MN)

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WELFARE REFORM

Progress in Meeting Work-Focused TANF Goals

Statement of Cynthia M. Fagnoni, Managing Director
Education, Workforce, and Income Security Issues

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Welfare Reform: Progress in Meeting Work-Focused TANF Goals

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss the progress of welfare reform and our related work. The 1996 Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) (PRWORA) significantly changed federal welfare policy for low-income families with children, building upon and expanding state-level reforms. It ended the federal entitlement to assistance for eligible needy families with children under Aid to Families With Dependent Children (AFDC) and created the Temporary Assistance for Needy Families block grant (TANF), designed to help needy families reduce their dependence on welfare and move toward economic independence. Under TANF, states have increased flexibility to meet four broad goals:

- Providing assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;
- Ending the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;
- Preventing and reducing the incidence of out-of-wedlock pregnancies; and
- Encouraging the formation and maintenance of two-parent families.

In addition, PRWORA requires states to impose federal work and other program requirements on most adults receiving aid and to enforce a lifetime limit of 5 years, or less at state option, on the receipt of federal assistance.

As states have implemented TANF, this Subcommittee has asked us to examine a broad range of welfare reform issues. My testimony today will focus on the progress of welfare reform related to the goals of providing assistance and reducing dependency by promoting work. More specifically, it discusses (1) states' progress in implementing TANF, (2) the status of families who have left welfare, (3) the characteristics of adults currently receiving TANF and state strategies for helping hard-to-employ recipients find jobs, and (4) emerging issues as welfare reform evolves. The information on former welfare recipients is from our 1999 review of state studies and more recent studies. Information on current welfare recipients and state strategies for serving hard-to-employ recipients is drawn from our latest review of national data, numerous research studies, and visits to six states from a new report to this Subcommittee to be released soon.

In summary, our work shows that states are transforming the nation's welfare system into a work-based, temporary assistance program for needy families, with a focus on moving people into employment rather than signing them up for cash assistance. States' implementation of TANF, undertaken in a time of strong economic growth, has been accompanied by a 50 percent decline in the number of families receiving cash welfare—from 4.4 million in August 1996 to 2.2 million as of June 2000. Our review of state-sponsored studies available in 1999 and several more recent studies show that most of the adults in families remaining off the welfare rolls were employed at some time after leaving welfare. Of adults who continue to receive TANF cash assistance, national data show that a higher percentage is currently engaged in work than previously—17 percent in fiscal year 1997 compared to 25 percent in fiscal year 1999. A majority of those on the rolls, however, are not working or engaged in work activities, in part because many have characteristics that make it difficult for them to get and keep jobs. All six of the states we visited have modified their "work first" programs—designed to move recipients quickly into jobs—to better serve recipients who face difficulties in entering the workforce. States have found that some of the recipients with such difficulties do, in fact, find jobs. While states have made significant progress in meeting work-focused goals, as welfare reform continues to evolve, attention should be paid to these issues:

- Emphasizing and enhancing work-based strategies, including engaging hard-to-employ recipients in work and helping families stay off welfare and increase their earnings; and
- Fostering and facilitating improved management and service delivery approaches by states.

As States Implemented Welfare Reform Amid Strong Economic Growth, Welfare Caseloads Dropped 50 Percent

Consistent with the thrust of the federal welfare reform law, states are moving away from a welfare system focused on entitlement to assistance to one that emphasizes finding employment as quickly as possible, called a "work first" approach. Our work and other studies show that many states and localities have transformed their welfare offices into job placement centers. In some locations, applicants are expected to engage in job search activities as soon as they apply for assistance and may be provided support services, such as child care and transportation, to support their work efforts without adding them to the welfare rolls. Our recently issued report on child care noted that spending on child care programs for low-income families under TANF and the Child Care and Development Fund

increased substantially in recent years, from $4.1 billion in fiscal year 1997 to $6.9 billion in fiscal year 1999 in constant dollars.[1]

As many welfare offices have increased their emphasis on work activities, welfare offices and workers are also focusing more on helping clients address and solve problems that interfere with employment. In addition, some states are using the flexibility allowed under TANF to continue providing services to families who left the welfare rolls as a result of employment, including, in some cases, providing case management services to help ensure that families can deal with problems that might put parents' jobs at risk. Some states are also providing services to low-income working families not receiving cash assistance.

States' implementation of more work-based programs, undertaken under conditions of strong economic growth, has been accompanied by a dramatic decline in the number of families receiving cash welfare. As shown in figure 1, the number of families receiving welfare remained steady during the 1980s and then rose rapidly during the early 1990s.[2] The caseload decline began in 1995 and accelerated after passage of PRWORA, with a 50 percent decline in the number of families receiving cash welfare—from 4.4 million families in August 1996 to 2.2 million families in June 2000. Caseload reductions occurred in all states, ranging from 10 percent in the District of Columbia to 85 percent in Wyoming.[3] While economic growth and state welfare reforms have been cited as key factors to explain nationwide caseload decline, there is no consensus about the extent to which each factor has contributed to these declines.[4]

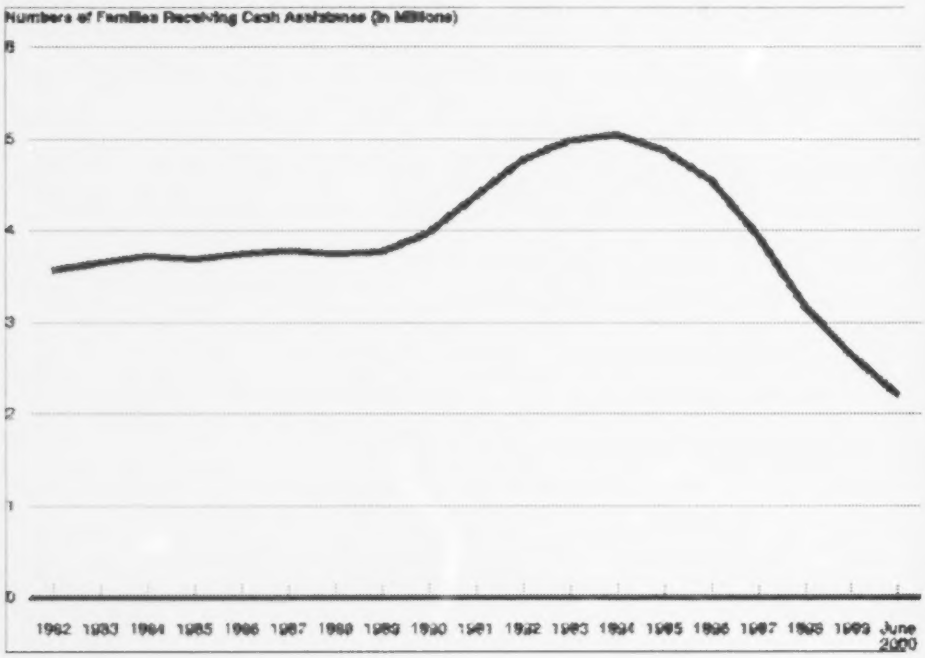
[1]Child Care: States Increased Spending on Low-Income Families (GAO-01-293, Feb. 2, 2001).

[2]A Congressional Budget Office (CBO) model attributes more than half of the growth in AFDC caseloads between 1989 and 1992 to increases in the number of female-headed families (especially never-married females) and approximately one-fourth of the growth to the recession and to the weak economy that preceded and followed the recession. CBO Staff Memorandum, Forecasting AFDC Caseloads, With an Emphasis on Economic Factors (CBO, Washington, D.C.: July 1993).

[3]Data on caseload reductions for families by state utilize January 1997 to June 2000 data.

[4]Studies have specifically cited the following reasons for the caseload decline: changes made by PRWORA; state changes to welfare programs that preceded PRWORA; changes in client and caseworker behavior; past increases in the minimum wage; and low unemployment rates. See Council of Economic Advisers, The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update (Washington D.C.: Council of Economic Advisers, Aug. 1999). See also Rebecca M. Blank, What Causes Public Assistance Caseloads to Grow? (Cambridge, Mass.: National Bureau of Economic Research, Dec. 1997).

Figure 1: Number of Families Receiving Welfare From 1982 Through June 2000



Source: Department of Health and Human Services (HHS), Administration for Children and Families.

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Most Adults in Former Welfare Families Were Employed at Some Time After Leaving Welfare, Often at Low-Wage Jobs

Information on former welfare recipients shows that most adults who left welfare had at least some attachment to the workforce. Our 1999 review on the status of former welfare recipients identified studies from seven states that provided representative data on families leaving welfare.[5] Employment rates among adults in the families who left welfare in these seven states ranged from 61 to 87 percent.[6] However, the employment rates were measured in different ways. Studies measuring employment at the time of follow-up reported employment rates from 61 to 71 percent. Studies measuring whether an adult in a family had ever been employed since leaving welfare reported employment rates from 63 to 87 percent. A more recent review of state and local-level studies supported by funds from HHS' Office of the Assistant Secretary for Planning and Evaluation (ASPE) shows similar patterns.[7] In addition, a recent report by the Urban Institute, using data from its 1999 National Survey of America's Families (NSAF)—a nationally representative sample—finds that 64 percent of former recipients who did not return to TANF reported that they were working at the time of follow-up, while another 11 percent reported working at some point since leaving welfare.[8]

Not all families who leave welfare remain off the rolls. In the seven studies we reviewed, the percentages of the families who left welfare and then returned to the rolls ranged from 19 percent after 3 months in Maryland to 30 percent after 15 months in Wisconsin. In ASPE's recent review of state and local-level studies, the proportion of families who returned to welfare within 12 months after exit ranged from 12 percent in San Mateo County,

[5]See Welfare Reform: Information on Former Recipients' Status (GAO/HEHS-99-48, Apr. 28, 1999). In this report we identified 18 studies about former recipients and summarized the findings from eight of these studies (representing seven states) based on whether the results could be generalized to most families who left welfare in the state at the time of the study. The states we studied are Indiana, Maryland, Oklahoma, South Carolina, Tennessee, Washington, and Wisconsin. Because the seven states' studies differed in time periods covered—from as early as 1995 to as late as 1998—and categories of families studied, the results are not completely comparable.

[6]Employment rates in various studies generally excluded families who returned to welfare. Removing families who return to welfare from the employment rate calculations results in higher employment rates, because many former recipients who return to the welfare rolls are not employed.

[7]ASPE has encouraged the use of comparable measures among research focused on former recipients. ASPE awarded grants to states and the research community in fiscal years 1998, 1999, and 2000 for studies in 10 states and three large counties.

[8]Pamela Loprest, How Are Families Who Left Welfare Doing Over Time? A Comparison of Two Cohorts of Welfare Leavers (Washington, D.C.: Urban Institute, Dec. 8, 2000). Respondents had been off TANF from between 3 months to more than 12 months at time of follow-up interview.

California, to 29 percent in Cuyahoga County, Ohio.[9] The study using 1999 NSAF data reported that 22 percent of those who had left the rolls were again receiving benefits at time of the survey follow-up.

Of those who left welfare, former recipients in the seven states we reviewed had average quarterly earnings that generally ranged from $2,378 to $3,786 or from $9,512 to $15,144 annually.[10] This estimated annual earned income is greater than the maximum annual amount of cash assistance and food stamps that a three-person family with no other income could have received in these states.[11] However, if these earnings were the only source of income for families after they leave welfare, many of them would remain below the federal poverty level.[12]

In addition to information on individuals' earned incomes, former recipients' total household income and use of other government supports are key to understanding the circumstances of these families. For example, the recently expanded earned income credit (EIC) can increase the incomes of qualified low-income families by as much as $2,271 for families with one child and $3,756 for families with two or more children.[13] The ASPE review of state and local-level studies reported that there were limited data on total household income. Reports from the few states that attempted to gather this information found that 45 to 50 percent of household income comes from the adult leaving TANF, 20 to 40 percent from others in the household, and between 3 and 8 percent from other sources, such as child support and Supplemental Security Income. More is known about former recipients' use of other government supports. Some of the state studies we reviewed reported that between 44 and 83 percent of the families who left welfare received Medicaid benefits, and between 31 and 60 percent received food stamps. More recent research at the state

[9]Julia B. Isaacs and Matthew Lyon, A Cross-State Examination of Families Leaving Welfare: Findings From the ASPE-Funded Leavers Studies, presented at the National Association for Welfare Research and Statistics 40th Annual Workshop in Scottsdale, Ariz. (Aug. 1, 2000; revised Nov. 6, 2000).

[10]We estimated annual incomes by extrapolating quarterly earnings; states did not provide information on annual earnings. Using this method may overestimate the annual earnings, as a former recipient may have worked fewer than four quarters.

[11] In these seven states, for a single-parent, three-person family with no income, the maximum annual amount of cash assistance and food stamps combined ranged from $6,000 in Tennessee to $9,744 in Washington as of January 1997.

[12]For 1998, the federal poverty level for a family of three was $13,650.

[13] The EIC is a refundable tax credit for qualified working people who have earned incomes below certain specified levels.

level and nationally also shows differences in the rate of Medicaid and food stamps receipt among former welfare recipients.

States Are Taking Steps to Help Hard-to-Employ Recipients Find Jobs

While many adults have left the welfare rolls for work, those remaining on the rolls have increased their work efforts. Nationwide, the percentage of TANF recipients combining welfare and work has risen from 17 percent in fiscal year 1997 to 25 percent in fiscal year 1999. Most current recipients, however, are not engaged in work or work activities as defined by PRWORA. At least in part, this may be because many current recipients have characteristics that make it difficult for them to work, according to data from national surveys and several studies, as well as from officials in the six states that we visited.[11] The states we visited had taken steps to help hard-to-employ recipients move into jobs, such as improving and expanding case management or providing programs and services targeted specifically to prepare them for work. While recipients with one or more work-impeding characteristics may find the transition to work difficult, the states have found that some do find jobs.

[14] For Welfare Reform: Moving Hard-to-Employ Recipients Into the Workforce (GAO-01-368, forthcoming), we visited six states: California, Connecticut, Florida, Maryland, Michigan, and Washington. In addition, we collected and analyzed caseload data from these states and from Oregon, New York, and Wisconsin.

A Majority of TANF Recipients Are Not Engaged in Work Activities, in Part Because Many Have Characteristics That Make it Difficult for Them to Get and Keep Jobs

The proportion of TANF recipients nationwide who were engaged in unsubsidized employment increased during the past few years. According to our analysis of HHS data, the percentage of recipients who were engaged in unsubsidized employment increased from 17 percent in fiscal year 1997 to 25 percent (or 400,000 recipients) in fiscal year 1999.[15] In the states we reviewed that provided us with data on their caseload characteristics, the percentage of the caseload that was employed ranged from 6 percent to just under 40 percent.[16] This wide range of rates may be explained in part by the varying state policies on the amount of earnings a person may retain while still remaining eligible for welfare.[17]

Although more TANF recipients are combining welfare and work, in fiscal year 1999 a majority did not participate in work activities—a monthly average of nearly 60 percent of all TANF recipients nationwide. Although this may have been caused by weak implementation of state work programs, the characteristics of TANF recipients may affect their abilities to engage in work and work activities. Studies have shown that having certain characteristics, such as poor health or disability, no high school diploma, limited work experience, exposure to domestic violence, substance abuse, and limited English proficiency, makes engaging in work activities more difficult. Based on data from its 1997 National Survey of America's Families (NSAF), the Urban Institute found that the greater the number of these characteristics a TANF recipient has, the less likely that recipient is to be engaged in work or work activities.[18] The survey showed that 88 percent of recipients who had none of these characteristics were working or engaging in work-related activities, compared to 59 percent with one of these characteristics and 27 percent with three or more (see

[15] Percentages represent the average monthly number of families with at least one adult engaged in unsubsidized employment divided by the number of families in the overall work rate, as defined by the Administration for Children and Families. The families included in the overall work rates are all TANF families except (1) child-only cases and (2) families disregarded for one of the three reasons allowed under federal law: (a) they have a child under age 1; (b) they are participating in the tribal work program; or (c) they were sanctioned during the month but not for more than 3 of the past 12 months.

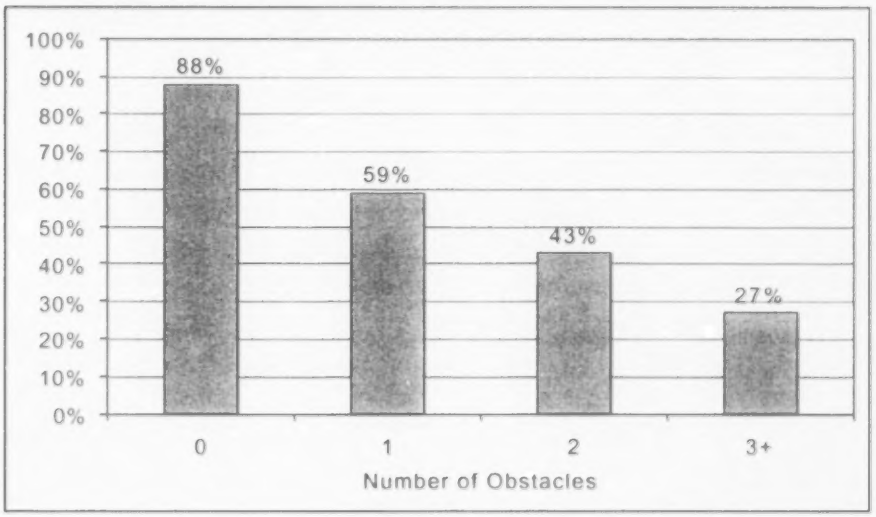
[16] Data were reported by states and may not be consistent with each other.

[17] Some experts have speculated that this wide range may also be because states that have enforced "work first" are likely to have experienced the greatest caseload decline and thus lower work levels for those remaining on the rolls.

[18] NSAF is an ongoing, nationally representative survey, of the noninstitutionalized, civilian population of persons under age 65 in the nation as a whole. Sheila Zedlewski, Work-Related Activities and Limitations of Current Welfare Recipients (Washington D.C.: The Urban Institute, July 1999).

fig. 2).[19] Officials in all six of the states we visited agreed that recipients with one or more work-impeding characteristics find it hardest to successfully enter the workforce, and are often referred to as hard-to-employ recipients. However, states have found that while having these characteristics makes employment difficult, some recipients do, in fact, find jobs.

Figure 2: TANF Recipients Engaged in Work or Work Activities, by Number of Obstacles to Employment, 1997



Source: 1997 NSAF, The Urban Institute.

Our analysis of existing studies showed that a considerable percentage of TANF recipients have characteristics that make it difficult for them to work. Table 1 identifies the range of estimates a number of studies provide on the prevalence of some of these characteristics in the welfare population. For example, estimates of the proportion of the welfare caseload with health problems or disability range from 20 to 40 percent, and the proportion of the caseload with no high school diploma from 30 to 45 percent.

[19] The Urban Institute analysis counted only those characteristics shown to significantly depress work activity as obstacles to employment: less than a high school education, last employment 3 or more years ago, child under age 1, either very poor mental health or health condition that limits work, caring for a disabled child, and limited English. NSAF did not collect data on domestic violence or substance abuse.

Table 1: Prevalence of Selected Characteristics Among TANF Recipients Based on Selected Studies

Characteristic	Estimated range of TANF recipients with characteristic (percent)	Number of selected studies measuring this characteristic
Health problems or disabilities	20-40	12
Lack of high school diploma	30-45	8
Current domestic violence	10-30	7
Lack of job skills	20-30	3
Substance abuse	3-12	8
English as a second language	7-13	4
Multiple barriers	44-64	5

Note: Studies were conducted between 1997 and 1999. The estimates provided by each study are not directly comparable to those from other studies because each defines characteristics slightly differently and examines a different specific population. For example, when measuring the incidence of substance abuse, one study counted only recipients who self-reported seeking substance abuse treatment while another counted recipients believed by case managers to need to address substance abuse problems. Likewise, the scope of the studies varies; most cover only a single state or community while one is national in scope. Because of difficulties identifying and measuring these characteristics, these studies may understate the prevalence of these characteristics among TANF recipients. Nonetheless, together these studies give a rough indication of the prevalence of these characteristics among TANF recipients.

Information from the states we visited is consistent with the studies' data. Officials in these states indicated that many recipients have poor mental or physical health, have substance abuse problems, or were victims of domestic violence. Some officials noted that the actual extent of these characteristics can be hard to determine because most states and localities rely on recipients to disclose this information about themselves to their case managers, which they are often reluctant to do.

All Six of the States We Visited Have Modified Their "Work First" Programs to Better Serve Hard-to-Employ Recipients

The six states we visited implemented a TANF program that can be characterized as "work first" and, as a result, their TANF programs share a few common elements. All of the programs seek to move people from welfare into unsubsidized jobs as quickly as possible. Officials expressed the belief that the best way to succeed in the labor market is to join it, and the best setting in which to develop successful work habits and skills is on

the job.[20] However, to varying degrees, these six states have modified or enhanced their approach to better serve recipients for whom the "work first" approach is not successful because they have characteristics that may impede employment. The states we visited differ markedly in their approach to identifying recipients who have these characteristics so that they can either be exempted from work requirements or provided with targeted programs and services that would help them obtain employment. Some states and localities require TANF recipients to look for a job and offer enhanced services only to those who are unsuccessful, while others begin by screening and assessing new applicants to identify those with characteristics that might impede their ability to get a job. The strategies states use to assist those recipients identified as hard-to-employ also vary. Some of the states we visited have focused their efforts on improving and expanding case management, while others have targeted programs and services specifically to prepare hard-to-employ recipients for work. All six of the states we visited also refer recipients to programs run by non-TANF agencies and organizations that help recipients deal with specific problems such as substance abuse and mental illness that may affect their ability to get and keep a job.

During our site visits, state and local officials reported program success at the local level. For example, in Grand Rapids, Michigan, the local TANF agency has stationed two case managers at a large company that employs TANF recipients to help hard-to-employ recipients retain their jobs. These on-site case managers serve as a resource both for employees and for the employer, helping employees cope with crises that might otherwise cause them to lose their jobs, and intervening on behalf of the employer at the first sign of trouble. The company's retention rate for current and former TANF recipients was 81 percent, as compared to only 33 percent for their non-TANF employees. Company officials directly attributed the higher retention rates to on-site case management and cooperation from the local TANF agency.

[20] A recent study by the Manpower Demonstration Research Corporation (MDRC) reviews 20 welfare-to-work programs and assesses the effectiveness of these programs at increasing the employment and earnings of single-parent welfare recipients. The study found that employment-focused welfare programs resulted in higher earnings for the most disadvantaged recipients than education-focused programs, but that programs with a mix of activities tended to help the broadest range of people. See Charles Michalopoulos, Christine Schwartz, and Diana Adams-Ciardullo, What Works Best for Whom: Impacts of 20 Welfare-to-Work Programs by Subgroup (New York, N.Y.: MDRC, Aug. 2000).

Emerging Issues as Welfare Reform Evolves

As states have taken steps to implement a work-based, temporary assistance program for needy families, key issues have emerged, including continuing support for work—for those on the welfare rolls and those already employed—and building state and local management and service delivery capacity.

Emphasizing and Enhancing Work-Based Strategies

As many TANF recipients have moved into employment, emerging issues are related to helping those remaining on the rolls move into the workforce, enforcing work requirements in future years, and helping former welfare recipients maintain their employment. The states we visited in 2000 said that while some TANF recipients with work-impeding characteristics are able to successfully enter the workforce, many need considerable time and support in order to become work-ready, including services and work-preparation activities that address their specific needs. To be successful in moving hard-to-employ TANF recipients into the workforce within their 5-year time limit for federal benefits, states will need to provide work-preparation activities tailored to the needs of their hard-to-employ recipients. To help states with this challenge, we have recommended that HHS do more to promote research and provide guidance that would encourage and enable states to estimate the number and characteristics of hard-to-employ recipients. In addition, we have recommended that HHS expand the scope of its guidance to states to help them use the flexibility they have under PWRORA to provide appropriate work-preparation activities for hard-to-employ recipients within the current TANF rules. During our site visits we discovered that some states and localities did not understand the full range of flexibility they have under the law.

In addition to working with hard-to-employ recipients, states must enforce federal work requirements for most TANF recipients. The robust economy has generally helped states meet federal work participation rates. In fiscal year 1999, the highest percentage of TANF adult recipients meeting federal work participation rates—66 percent—was in unsubsidized employment. Moreover, states were also aided in meeting federal participation rates by receiving credits for the recent caseload reductions as allowed under PRWORA. In the event of an economic downturn when jobs may be less readily available, more states may turn to alternative activities for meeting their work requirements. These activities could include subsidized employment, work experience, community service, and on-the-job training, which we call work-site activities. However, states have more limited experience with work-site activities; nationwide only about 14 percent of TANF recipients meeting federal work participation rates were in such activities in fiscal year 1999. As a result, implementing large-scale

work programs may prove challenging.[21] To provide valuable information for administrators and policymakers on what could in the future become an increasingly important part of TANF programs nationwide, we recommended that HHS take steps to collect more information on work-site activities, including supporting evaluations of them, and disseminate such information to the states. HHS has taken steps to support some evaluations in this area.

While promoting work among those receiving welfare is essential, some states have turned their attention to supporting the work efforts of those who have left the rolls. Many former welfare recipients are employed in low-wage jobs and at risk of returning to welfare. TANF provides states the flexibility to devise and implement strategies that help such families maintain and advance in their jobs. Some states and localities have undertaken efforts to help low-wage workers upgrade their job skills to improve their job prospects. For example, when we visited states in 1998, we found that Michigan had set aside $12 million for postemployment training for TANF clients who were already meeting their work requirements. Similarly, Wisconsin had a $1 million Employment Skills Advancement Program under which poor working parents—including TANF clients—received grants for attending training programs through the workforce development system.[22] HHS is evaluating some projects designed to help former welfare recipients retain their jobs and advance in the workplace.

Fostering and Facilitating Improved Management and Service Delivery Approaches

As welfare agencies focus on moving needy families toward economic independence by providing a wide array of services, such as child care, food stamps, and employment and training services, they are drawing on numerous federal and state programs—often administered by separate agencies.[23] These are sweeping changes that have profound implications for the information needs of states and the automated systems designed to meet those needs. Although automated systems in the 15 states we examined in 1999 supported welfare reform in many ways, a number of

[21] Welfare Reform: Work-Site Activities Can Play an Important Role in TANF Programs (HEHS-00-122, July 28, 2000).

[22] Welfare Reform: States' Implementation and Effects on the Workforce Development System (GAO/T-HEHS-99-190, Sep. 9, 1999).

[23] HHS oversees programs such as TANF, Medicaid, child care, and child support enforcement; the Department of Agriculture oversees food stamps; and the Department of Labor oversees employment and training programs.

these systems have major limitations in one or more of three key areas—case management, service planning, and program oversight.[24] We found, for example, that some state and local agencies had difficulties in accessing data on the characteristics of TANF recipients that the agencies could use to identify and meet the service needs of their caseloads. We also identified a gap in the ability of automated systems to support enforcement of the 5-year TANF time limit across states. While states are making efforts to improve their systems, they face obstacles—including some at the federal level, such as the complexity of obtaining federal funding for systems projects that involve multiple agencies. To facilitate states' efforts, we recommended that HHS establish an interagency group to help overcome this and other difficulties. HHS, Labor, and Agriculture have begun meeting regularly to address these issues. Sustained high-level attention will be needed to move forward in this important area.

Welfare agencies' increased focus on helping needy adults with children find and maintain employment brings them directly into the province of the workforce development system.[25] When we reviewed the role of the workforce development system in providing services to welfare recipients in the states in 1998, we observed that workforce development and welfare systems were still largely independent. When the Congress created the Welfare-to-Work grant program in 1997, under which it authorized $3 billion in grants to be administered through the Department of Labor to help hard-to-employ individuals, it provided an opportunity for the two systems, in participating states, to collaborate. In addition, the passage of the Workforce Investment Act (WIA) of 1998, designed to integrate and streamline federal employment and training services, requires most employment and training services to be provided through a single system, called the One-Stop Center System. These recent changes in the workforce development system, along with welfare reform, give states and localities an opportunity to reassess how employment-related services are coordinated and delivered. While providing TANF services through one-stop centers is a state and local option, we noted in our 2000 report that at the local level, 24 states reported providing at least some TANF services on-site at a majority of their one-stop centers.[26] Seven states provided

[24]Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort (GAO/HEHS-00-48, Apr. 27, 2000).

[25]We define the workforce development system as the state or local entity responsible for administering programs that originate through the Department of Labor, such as the state Employment Service or Workforce Investment Act programs.

[26]Workforce Investment Act: Implementation Status and the Integration of TANF Services (GAO/T-HEHS-00-145, June 29, 2000).

TANF employment and eligibility services, Medicaid, and food stamp services at a majority of their one-stop centers. While it is too early to know what service delivery approaches may prove most effective and efficient, as welfare reform and WIA implementation evolve, research will be warranted to determine best practices.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

GAO Contacts and Acknowledgments

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